



Q3 FY14 Investor Update Presentation

HEG Limited - Profile

HEG Limited (henceforth HEG) is a leading graphite electrode manufacturer & exporter

HEG produces two grades of graphite electrodes - High Power & Ultra High Power - used in manufacturing steel through the Electric Arc Furnace (EAF) route

Exports over 75% of its production to more than 25 countries of the world

Diversified customer portfolio - ArcelorMittal, Nucor, POSCO, Emirate Steel Ind, Dongkuk Steel, Severstal, SAIL, Tata Steel, Jindal Group etc.

Graphite electrodes manufacturing plant (capacity of 80,000 tons per annum) located at Mandideep in Madhya Pradesh - is the largest single-site facility in the world

Captive power generation capacity of around 77 mw (thermal power - 64 mw & hydro power - 13.5 mw)

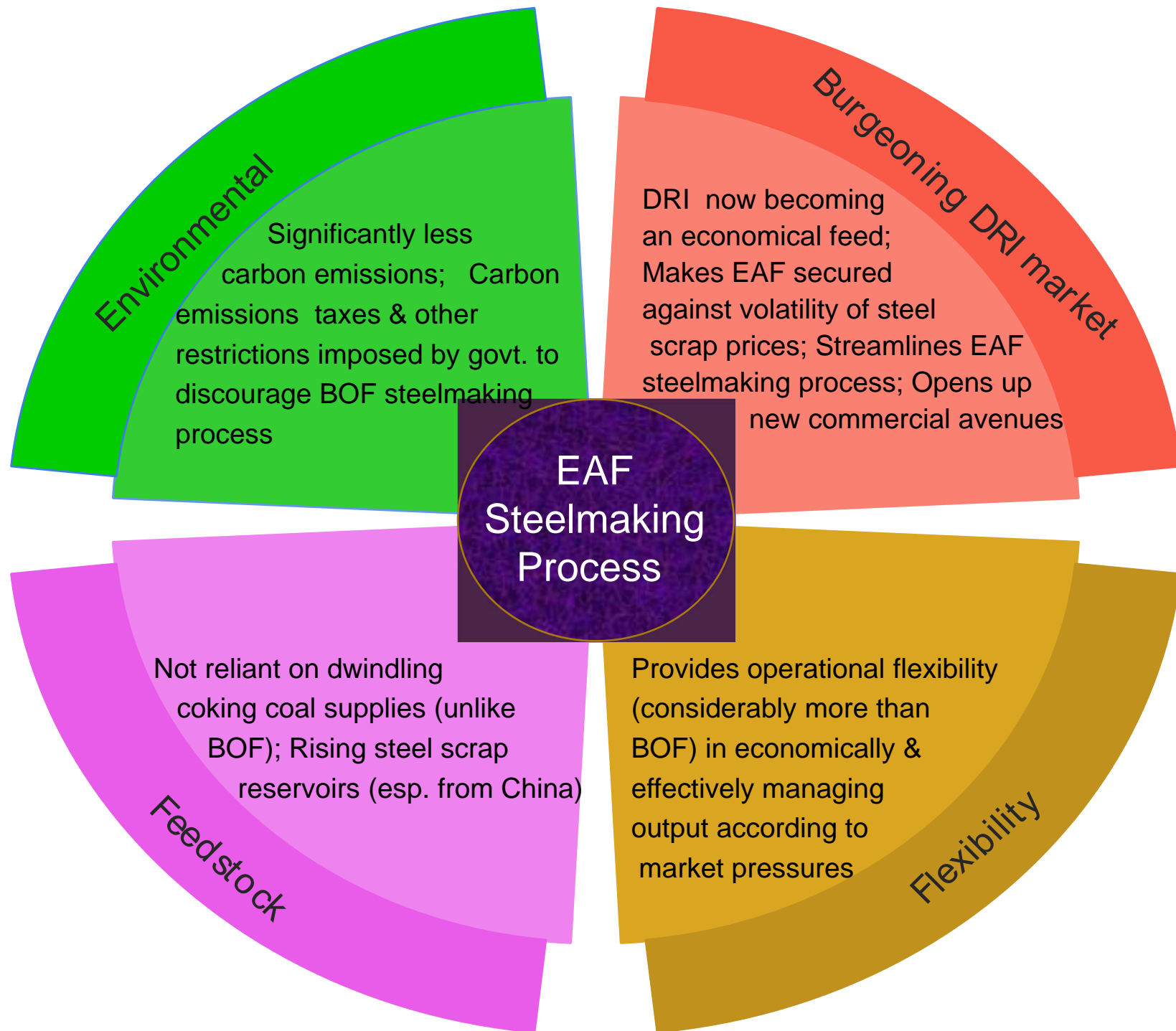
Global Steel Industry

- Global steel production in 2013 was 1,607 mt, up by 3.5% compared to 2012
 - Growth came mainly from Asia and Middle East
 - All other regions – EU, North America, South America & CIS – witnessed decrease in production
- Global steel production is estimated to increase by 3.6% in 2014
 - Steel demand from developed economies is expected to return to positive growth in 2014
 - US is expected to resolve its fiscal constraints
 - Growth returning to Europe after demand bottoming out in 2013
 - Chinese demand is expected to grow slowly. However growth in EU will offset the slowdown in Chinese growth
 - Demand in rest of the emerging economies remains uncertain due to unresolved structural issues, political instability and volatile financial markets
- Excess capacity continues to weigh on the economic health of the global steel industry
 - Utilization is not expected to exceed 80% until 2014 and only reach 83% by 2015/16

Graphite Electrodes Market & EAF

- Graphite electrodes find their biggest industrial use in Electric Arc Furnace (EAF) used in steel plants to melt steel scrap
- Graphite electrodes market has a current market size of over 1.1 million tonnes per year (US\$ 3.5 billion); with the steel industry being the largest consumer
- The demand for graphite electrodes is therefore sensitive to steel production via EAF
- Efficiency, feedstock flexibility and environmental advantages make EAFs a much more attractive investment for future capacities
- Share of EAF in the global steel production is currently around 30%
- EAF's share of crude steel making likely to grow exponentially and is estimated to overtake BOF steelmaking routes by 2030

Factors leading to rise of EAF capacities



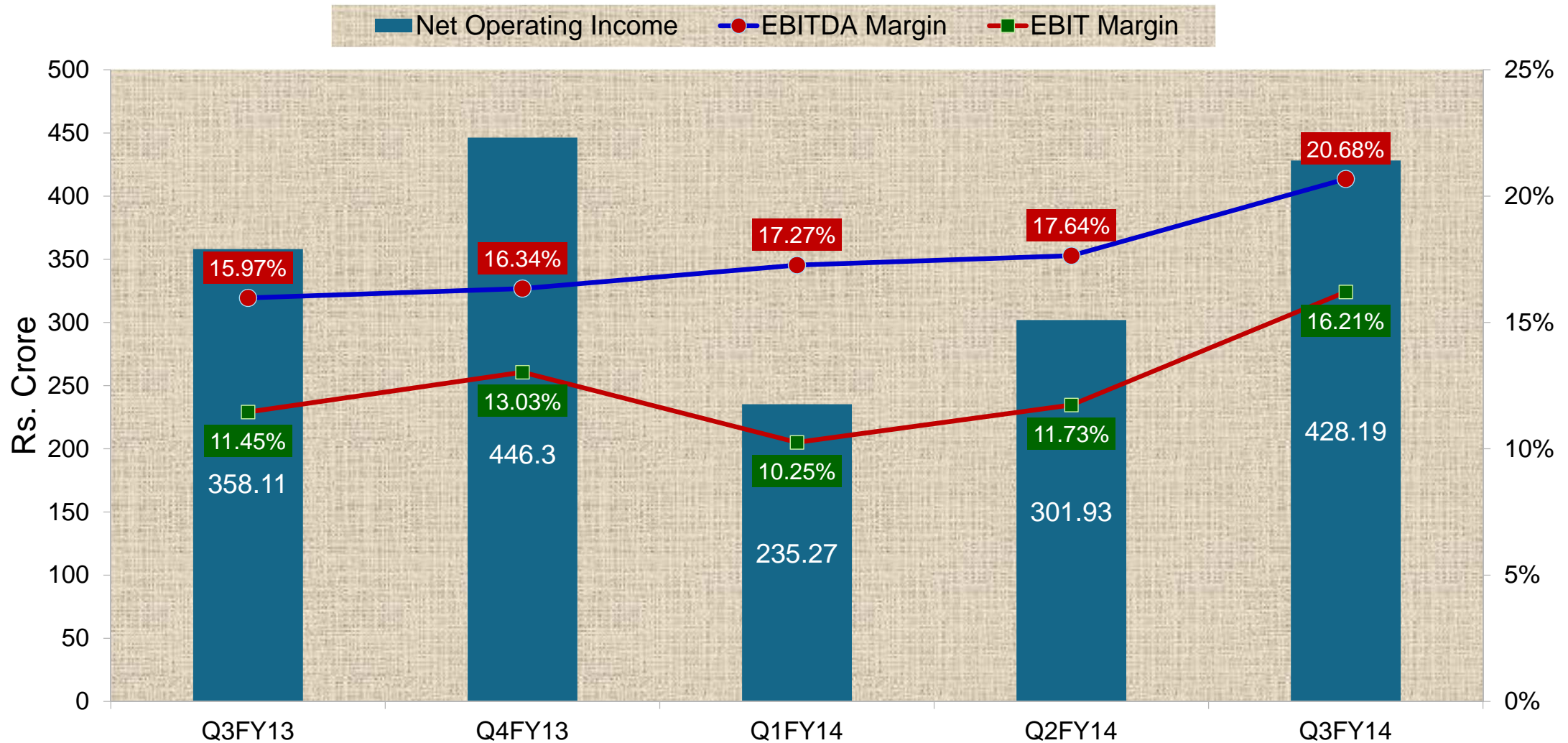
Financial Snapshot (over last 5 quarters)

In Rs. Crore (except EPS)

	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14
Net Operating Income	358.11	446.3	235.27	301.93	428.19
EBITDA*	57.20	72.92	40.63	53.27	88.54
EBITDA Margin	15.97%	16.34%	17.27%	17.64%	20.68%
EBIT	41.02	58.16	24.12	35.43	69.40
EBIT Margin	11.45%	13.03%	10.25%	11.73%	16.21%
Forex gains/(loss)	(12.98)	2.58	(15.32)	(9.20)	(2.33)
PAT	11.52	35.14	(9.32)	5.06	44.31
PAT Margin	3.22%	7.87%	N.A.	1.68%	10.35%
EPS	2.88	8.80	(2.33)	1.27	11.09

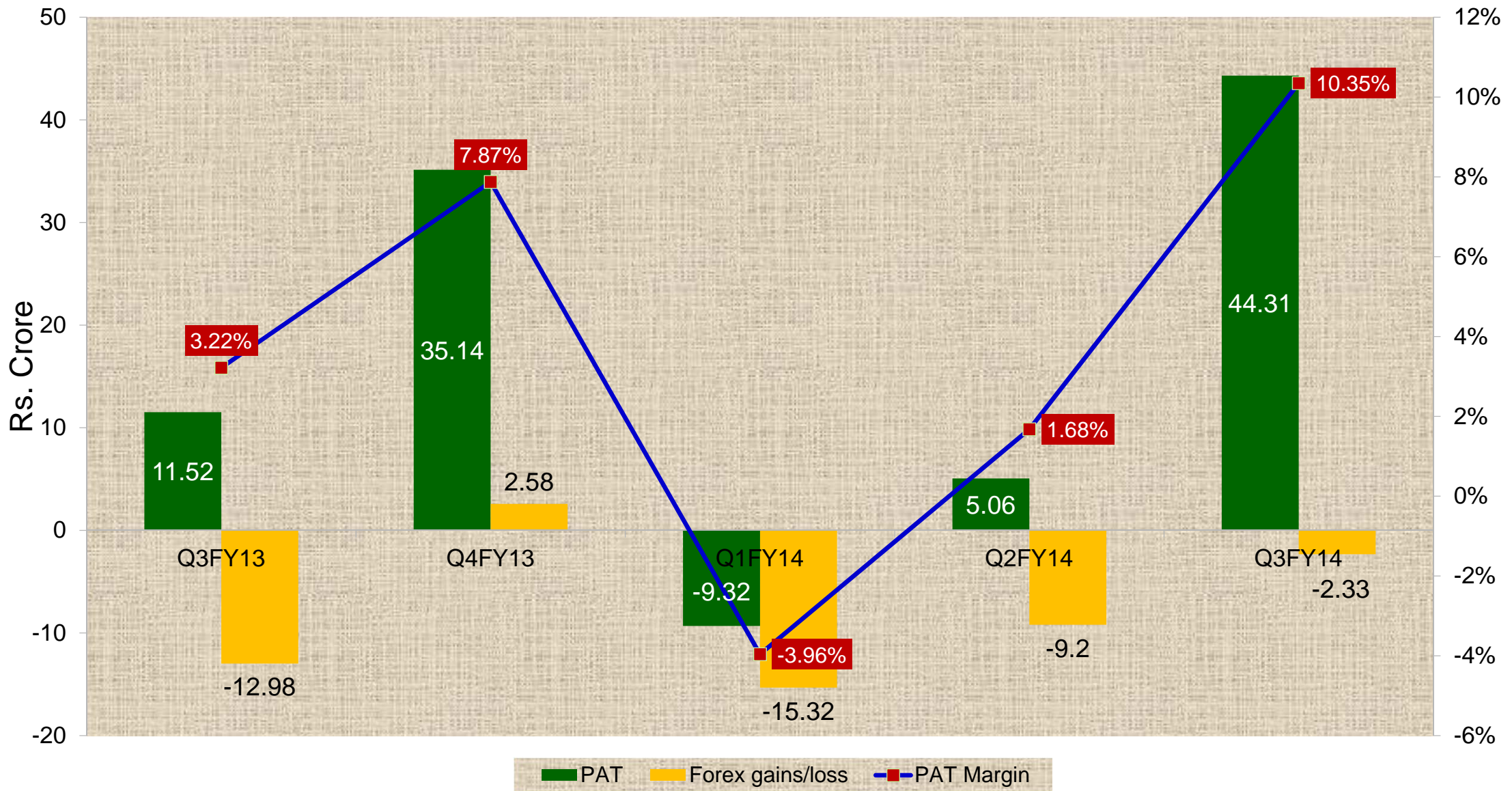
* EBITDA includes Other Income & excludes Exceptional Items

Operating Income & Margins



Note - EBITDA includes Other Income & excludes Exceptional

Impact of Forex on PAT Margins



Segmental Performance – Graphite Electrodes

In Rs. Crore

	Graphite Electrodes		
	Q3 FY14	Q2 FY14	Q3 FY13
Net Sales	414.55	294.58	337.93
Export (% of sales)	80%	77.3%	80%
EBITDA Margin	12%	10.6%	7.6%
EBIT Margin	8.4%	5.9%	4.0%
Capital Employed	1044.46	1028.73	1063.69

- Capacity utilisation at 80% during the quarter.
- Pressure on graphite electrode prices continues. Trend inching towards stabilization.
- Servicing of order book on target.
- Benefit of low cost needle coke realized in the quarter.
- Close monitoring of controllable cost, paying off.

Segmental Performance – Power

In Rs. Crore

	Power		
	Q3 FY14	Q2 FY14	Q3 FY13
Net Sales	71.78	41.72	64.16
EBITDA Margin	51%	42.8%	45%
EBIT Margin	46.6%	37.8%	39.5%
Capital Employed	201.17	208.86	214.39

- Plant Load Factor (PLF) near optimum levels both in hydro and thermal plants. Hydro power generation higher vis-à-vis same period last year.
- Subdued merchant power prices partly compensated by higher generation from the hydro facility.
- Coal mix and improved efficiency, resulting in improved margins during the quarter.



Cautiously optimistic on Graphite Electrodes Industry outlook. Marginal improvement can be envisaged from the EU region.



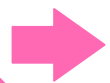
Order book is robust with receipt of few large orders, which are under execution. Improved Q3 numbers are partly due to these orders, in addition to softening of input prices.



The price of needle coke - the key raw material - to remain at the same level in Q4FY14. Needle Coke prices likely to soften further in FY15.



Closure of certain manufacturing facilities announced by global players recently, offers opportunity of enhancing HEG 's market share in these geographies.




Near capacity utilization envisaged in Q4FY14. PLF of power expected to improve in line with the capacity utilization of graphite electrodes.



De-leveraging plans and working capital controls, to help reduce financial costs, going forward.

Thank You



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